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impair traffic and not to cover the cost of the upkeep of the Autobahn, then the question, he believed, fell within the sphere of the 1949 agreement between the Four Powers. The Secretary added that, subject to concurrence in New York of his British and French colleagues, whose governments are parties to the same agreement, he hoped to mention this matter at San Francisco to Mr. Molotov. He would say that he hoped that the question might be resolved before the Four Power meeting, which was ostensibly being held to minimize difficulties and this action in Berlin was creating difficulties.

The Chancellor stated that he did not know whether or not the Secretary was familiar with the Ordinance providing for these tolls which had been issued by the German Democratic Republic and which referred to all roads and highways in the GDR. The Ordinance excluded from these tolls vehicles registered in the GDR as well as military vehicles. Thus the only vehicles which remain to be taxed were West German and West Berlin vehicles plying between West Germany and Berlin, which in the Chancellor's view made the matter purely a political one. He added that in his view the Ordinance was not purely financial but had been issued to cause concern to residents of Western Germany buying in Berlin. It was clear, the Chancellor continued, that there was a certain amount of wear and tear on the highways and that the West Germans were prepared to discuss this question and pay justified charges. However, the Chancellor wanted to emphasize that he did not think the objective was financial but rather political and psychological-to scare off firms from buying in West Berlin. Therefore, the Chancellor would be very appreciative if the matter could be taken up with br. Molotov, if the British and French Foreign Ministers agreed, as falling within the sphere of the 1949 agreement.

The Secretary said that we would attempt to soften the situation up from the Soviet side but he hoped that the Chancellor would see to it that discussions were continued at the technical level also so that by working at these two levels the problem might be solved.

The Chancellor indicated that they had not been very successful in their attempts to initiate talks on a technical level but they would continue to try.

Anti-Cartel Legislation. The Secretary said that while he appreciated that the question of anti-cartel legislation in Germany was essentially a domestic matter, it was a matter of considerable concern in this country. The Secretary referred to the letter which the Chancellor had written him on the subject. The Congress was interested in this subject, the Secretary said, and added that it would be helpful to us if the Chancellor continued to show an interest in this legislation. The Chancellor replied that he most certainly would do so.

European Integration. The Secretary referred to his Paris discussion on the question of European integration with the Chancellor and said that the American people continue to have tremendous concern in this question. He added

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that there has been recently a slight feeling that of late the Chancellor's views may have altered on the subject of European integration. However, the Secretary felt that on the basis of the talks with the Chancellor that such a feeling is not correct. The Secretary stated he believes we have taken steps forward both politically and militarily and that such concepts as the Coal and Steel Community were good and should be held on to.

The Chancellor replied that he was in full agreement and only the day before his departure from Germany he had discussed the matter with Economic Minister Erhard and the latter had told him of his talk when in Washington with the Secretary. He, Erhard, stated that he was a determined friend of European integration. The Chancellor added that he had instructed Professor Hallstein to push forward on this matter at Messina but the French would not go along. The Chancellor reminded the Secretary that this was an election year in France and there was no uniform opinion in France with respect to European integration. This situation must be taken into account and the Chancellor did not think it was possible for the present to establish any further supra-national organizations, although Pinay himself was a friend of integration.

The Secretary expressed regret that his friend Monnet was no longer in a position to help in this field.

Air Transport Agreement. The Secretary indicated that he had hoped to sign today a bilateral Air Transport Agreement with the Federal Republic but unfortunately it had been necessary to postpone this ceremony. The Secretary indicated that we had told our technicians to make an agreement favorable to Germany and perhaps they had carried out their instructions too literally for we were having troubles with our own airlines and it would be necessary for us to go over the matter with the Congress, the airlines and other interested Americans. However, the Secretary hoped to go forward as soon as possible with a favorable bilateral air transport agreement with Germany.

The Chancellor indicated that he had heard of the difficulties from Ambassador Krekeler and he was all the more grateful to the Secretary for his aim to push forward on this matter. The Chancellor added that perhaps those who were opposed to the agreement were unaware of the considerable privileges extended to United States airlines in Germany. Perhaps the Secretary would bring this to the attention of those concerned. He, too, hoped for a happy conclusion to the matter.

Timing of the Chancellor's Meeting with the Soviets. The Secretary indicated that yesterday the Chancellor had said that if he, the Secretary, had any ideas as to the timing of such a meeting the Chancellor would not consider it an intrusion if the Secretary made such suggestions as occurred to him. The Secretary stated that after giving the matter some thought it seemed to him advisable that the meeting should not take place before the Four Power meeting scheduled for July 18 at Geneva.

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The Chancellor replied that he thoroughly agreed and that his meeting would not take place until after the Geneva meeting. The Chancellor thought that September would be the best date and he understood that the four Foreign feel very optimistic that his meeting would achieve much but that public opinion in Germany would never permit him not to go. As a matter of fact, he said the invited one to go to Moscow on Friday one should leave Saturday. In the sador and the Soviet Ambassador there, prior to his visit. He said Paris because through the German Ambassador.

The Secretary added that it was always wise to be cautious in one's hope in dealing with the Soviets but for reasons which he had given the Chancellor he believed that if we remain strong and clear in our course there was much more chance of bringing about German unification now than there had been up to the present. For this reason one should not yield too quickly to the Soviet demands. One should not sell too cheaply. The Secretary said he meant by this we should not appear as too anxious for relaxation on Soviet terms. They had more need of this relaxation than we. The Secretary said that he believed if we stood firm more unbearable to them than to us. The Secretary, therefore, hoped we would they want without also making possible German unification. The Secretary said that it would be necessary to discuss how to prepare the climate for this in

The Chancellor replied that he was in full accord with the Secretary's views and the first point which he was going to ask his Ambassador in Paris to raise with the Soviets was the matter of the return of German prisoners in the USSR. The Germans estimate that there are between 180,000 and 200,000 German prisoners still alive there.

The Secretary then stated he thought it is extremely important that at the meeting in New York the Chancellor make clear to the British and the French Foreign Ministers that at the Four Power meeting none of the Western Ministers should make concessions to the Russians regarding limitation of armaments or other matters which the Russians desired except as part of a package agreement which would include the unification of Germany.

The Secretary added that he had once been asked by the press whether the election of the Chancellor would be the best way to obtain German unification. The Secretary had replied that he very definitely thought this would be the case and now he wants to prove that he was right.

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The Chancellor indicated that he would raise the point with the other Foreign Ministers in New York as the Secretary suggested. He added that the Russians had maintained that there could never be any possible dealings with the Federal Republic once these Paris treaties were signed, that this was the end to all hope of unification, etc. Also he was labeled on bill-boards in the GDP and in factories in the Soviet Zone as the No. 1 enemy. How surprised these people must now be that he had been invited to Moscow. The Chancellor continued that in his opinion if one moved forward seriously and forcefully the chances of obtaining our end with the Russians were far better than paying their price and carrying out their wishes. This led the Chancellor to believe that if we continued with firmness as we did in the past we can obtain the package of which the Secretary spoke, including the unification of Germany.

Refugee Plans. The Chancellor continued that as he expected the forth-coming conferences with the Soviets to last a long time he thought it would be a good thing if plans for the integration of refugees from the Eastern Zone and the Federal Republic could go forward. Minister for Refugees Oberlander had recently been in this country and had discussed with Mr. McCloy and the Vice President his ideas for a loan of \$50 million to carry out his plans. The Chancellor hoped the Secretary might give favorable attention to this matter. The Secretary said that he was not familiar with this question.

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